

Bridges to Peace: The US-Jordan Free Trade Agreement And American Trade Policy in the Middle East

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July 31, 2000

Thank you very much. Ambassador Burns, Deputy Prime Minister Halaiah and honored guests, it is my great pleasure to join you this afternoon.

We are here at a moment of great historic importance for our two countries, as we negotiate an historic US-Jordan Free Trade Agreement. We are also here at a moment of historic challenges for this region, from the continuing search for peace to the demands and opportunities of an increasingly integrated world economy.

At such a time, our Free Trade Agreement, while intended most immediately to create specific trade and investment opportunities for our countries, can have meaning beyond its economic consequence. A Free Trade Agreement is always a major economic step, requiring courage and leadership but also offering prospects of growth and greater long-term prosperity. But it also sets an example of the type of future to which the Middle East as a whole can aspire: one in which economic development and the growth of shared interests help to secure for the region's people a lasting peace and a prosperous place in the global economy.

U.S. TRADE POLICY PRINCIPLES AND THE MIDDLE EAST

These concepts have been central to American trade policy for over half a century. We can date them to the Administration of President Franklin Roosevelt, who set out our goals clearly as he spoke on the task of reconstruction after the Second World War:

“A basic essential to peace, permanent peace, is a decent standard of living for all individual men and women and children in all nations. Freedom from fear is eternally linked with freedom from want. [And] it has been shown time and time again that if the standard of living in any country goes up, so does its purchasing power -- and that such a rise encourages a better standard of living in neighboring countries with whom it trades.”

Americans have acted upon this insight ever since, through ten Administrations of both parties. When the work began, the world was impoverished and fragmented -- by war; by the communist experiment in Russia, Eastern Europe and China; and by the trade barriers built up during the 1920s and 1930s by Europe and the United States.

Over fifty years of patient negotiations -- through eight rounds of multilateral negotiations in the GATT and now the World Trade Organization, hundreds of bilateral agreements, and more recently three full Free Trade Agreements with Israel, Canada, Mexico, we have removed many of these barriers. This has allowed world trade to grow fifteen-fold since the 1950s, and as this has happened, world economic production grown six-fold and per capita income nearly tripled.

The result has brought historically unprecedented social progress to much of the world: since the 1950s, world life expectancy has grown by twenty years and infant mortality dropped by two-thirds. And as different regions of the world participated more fully in the work -- from Western Europe, to Southeast Asia, and more recently Latin America and Central Europe -- slowly but steadily peace and stability have strengthened.

The Middle East, unfortunately, has not drawn the full benefit of this work. The nations which share the region are still in large part economically isolated from the outside world and from one another. Not only do the region's trade barriers remain high with respect to the outside world, there is less intra-regional trade in the Middle East than in than any other region. Throughout the past two decades, about 6% of Middle Eastern trade has been internal, compared to about 10% for Africa, 20% for Latin America and almost 40% for the developing countries of Asia.

As a whole, the Middle East today resembles something like a miniature version of the fragmented world economy of the 1930s -- to borrow King Abdullah's phrase, a series of "isolated islands of production." Over time, this has blocked the development of economies of scale that could spur investment and technological progress. And it has caused the region to miss opportunities for economic diversification and growth.

The result is clear in our own trade statistics -- the Middle East provided 7.3% of America's imports twenty years ago, and only 2.6% this year; the region's exports remain concentrated in natural resources, especially energy; and its share of American foreign investment has dropped, as companies have seen more stable political environments and stronger growth prospects elsewhere. And this in turn has political consequences -- in frustration among ordinary people; lost opportunities for governments to find areas of common interest; and ultimately the persistence of political tensions and suspicion.

THE U.S. AND JORDAN: SHARED VISION

These circumstances, having arisen over decades, may not change easily. But they are not inevitable -- rather, in historic context, they are anomalous and unnatural.

As we can see at Petra, which once linked the Arabian peninsula with Europe and Asia with the Mediterranean, the Middle East has a natural role not as a theater for conflict, but as a center and a crossroads of culture and trade. It fulfilled this role admirably for most of its five millennia of history: a thousand years before Petra was built, the Middle East gave the world the

alphabet; a thousand years later under the Abbasids, Arabic numerals and optical science – and with leadership, vision and perseverance, in the future it can do so once again.

Jordan's government sees this fact clearly. And just as Jordan has for many years been a leader in the peace process, Jordan is today setting an example for the Middle East in economic reform and opening to the world at home.

I know how hard your government and King Abdullah have worked to bring Jordan into the World Trade Organization in such a short time. It has been an extraordinary effort, and the result is a remarkable set of reforms. Lower tariffs and other trade barriers will raise the standard of living for families and make manufacturing more competitive. Modern intellectual property laws and open services markets will promote technological progress and help to create investment opportunities -- as is already clear, for example in the recent \$35 million partnership agreement linking a Jordanian firm and Schein Pharmaceuticals of New Jersey.

This has made Jordan one of the most progressive and modern economies in the Middle East. And as these policies serve the interest and needs of Jordan's people, they also offer a compelling vision of the region's future -- to borrow King Abdullah's words, one which can:

“turn the cradle of civilization in to a modern center of excellence and achievement [and] harness the available rich talent in the region with its enterprise, initiative and ingenuity, into a success venture of growth and prosperity for all.”

This is a vision we share. And our trade policy in the Middle East aims towards just such a future, proceeding on two levels:

First, we encourage the nations of the region to open their economies to one another and the world, through participation in the World Trade Organization. By joining the WTO, on commercially meaningful grounds, countries can reform their own economies, create opportunities for entrepreneurs and job creation, attract investment and speed the acquisition of new technologies. They also gain the power to defend their rights and assert their interests as the world's trade agenda moves ahead. This process has recently accelerated, with Jordan's entry; imminent membership for Oman; and negotiations at various stages with Lebanon, Saudi Arabia, Algeria and Yemen.

Second, we are developing bilateral relationships and agreements throughout the region. The most ambitious has been our Free Trade Agreement with Israel, which over fifteen years has helped our bilateral trade quintuple, from \$4 billion in 1985 to over \$21 billion last year. More recently, we have completed Trade and Investment Framework Agreements with Egypt, Morocco and Turkey; and a Bilateral Investment Treaty with Bahrain. As the agreements create new export opportunities for Americans, they help the Middle East begin to diversify its exports to the United States, balancing energy with other manufactured goods and farm products.

THE US-JORDAN RELATIONSHIP AND QUALIFYING INDUSTRIAL ZONES

As these ties grow, our partnership with Jordan has become among our strongest in the Middle East.

The WTO accession is of course one example. We have also worked together in the completion of a Bilateral Investment Treaty, now up for approval before the United States Senate; and in Jordan's participation in the Internet for Economic Development Initiative. And in our "Qualifying Industrial Zone" project, we have launched a unique experiment in both bilateral free trade and regional economic integration.

Under this program, which then-Minister Mulki and I launched together with Israel's Natan Sharansky in 1998, the products created in five industrial projects receive duty-free treatment in the American market. The QIZ program is now more than two years old, and even a very brief look at the results shows that it is a resounding success.

The program is helping Jordan export: Jordan's apparel exports to the U.S. have grown from about \$3 million in 1997 to \$8.4 million in the first five months of this year; and Jordan's exports of suitcases have grown from zero in 1997 to 21,000 last year, and more than 100,000, with a value of over a million dollars, so far this year.

In real life, these numbers mean jobs and hope for families. To look at a specific example, the first Qualifying Industrial Zone -- the Irbid Park -- employed about 1100 people, at eight factories making clothing, watches, telecommunications equipment and other goods. We predicted at the time that employment might ultimately grow to 1700 workers -- but within a year the park had outgrown its original boundaries to include more than fifty factories, including some with a direct American stake. And today, the Irbid Park has created jobs for over 6,000 men and women.

US-JORDAN FREE TRADE AGREEMENT

The success of the QIZ program, in turn, is a very good sign for the much more ambitious project we have now begun: the US-Jordan Free Trade Agreement. While we continue to work on the text and its final terms and timetables, you can expect a result along the following lines:

Free trade in goods: Both countries will remove tariffs on all goods, and eliminate non-tariff barriers such as quotas. It will also give Jordan a competitive advantage in agriculture, where Jordan is already succeeding this year in exports of products such as dates and olives. Likewise, by reducing its own barriers Jordan will reduce the cost of new technologies for businesses, and of consumer goods for families in the market.

Open markets for services: Removing barriers to the services industries, ranging from telecommunications to finance, the professions and others, will help create incentives for high-

tech industries such as telecommunications to see Jordan as a good market and a regional base of operations. As Dr. Halaiah has noted, this field is of great importance for technology transfer, the development of modern management techniques, and other essentials.

High technology: Here, Jordan will ensure strong policies on protection of intellectual property rights, development of electronic commerce and the Internet, and other fields that will encourage high-tech investment as well as local technological innovation.

Labor and Environment: Here, we will ensure that our work is fully consistent with our shared commitment to respect internationally recognized core labor standards, and complement the work Jordan is doing to protect the Kingdom's natural heritage.

LOOKING AHEAD

This agreement is a step of great importance for both of us. The United States does not enter Free Trade Agreements lightly: the US-Jordan agreement will be only the fourth we have signed with any country, and the first we have concluded in eight years. Our negotiations this week thus show the importance we attach to our relationship with Jordan, and our confidence in the economic policies Jordan has implemented in the past two years.

And they are a sign of our hopes for the wider region as well. The search for peace in the Middle East remains among the most difficult tasks confronting the world today, as we saw so clearly when the summit at Camp David did not reach a conclusion. But while difficult, neither we nor the participants believe it is impossible; and the proof of that is in the progress – albeit sometimes uncertain and often marked by reversals and disappointed hopes -- that we have seen consistently in the past decade.

Our agreement, while meant immediately for shared economic benefit, can also make a modest contribution to this work. As we negotiate its terms and bring it into force in the coming years, it will bring new opportunities to both countries: ensuring that Jordan is seen as a center for commerce and investment in the Middle East, as it creates new export opportunities for Americans and Jordanians alike. And it can be a step toward the creation of a future Middle East which is peaceful, prosperous, and open to the world; whose nations work together for the common good; and whose people have hope and opportunity.

This is the goal our two countries have always sought. And as so often in the history of the modern Middle East, in this trade agreement, as Jordan act for the benefit of its own people; it also sets an example of vision and leadership for the region. We are very proud to work in partnership with you in an initiative of such historic consequence for all of us.

Thank you very much.